



Country By Country Reporting: A Development Perspective

Inma Montero
DG DEVCO A4

Michelle Kosmidis
DG MARKT F3

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New Development Concerns

The XXIst Century's Development Paradigm places a key emphasis on:

- Accountability
- Development Ownership
- Lesser reliance on foreign assistance

This is where:

- Prevention of corruption
- Promotion of Transparency in Economic Governance
- and Enhancement of Domestic Revenue Mobilization

enter into the picture of Development Cooperation

EC Policy Initiatives: update

These three key concerns

*addressed for the first time in a systematic manner
in a European Commission Policy paper (2010):*

- **Communication on Taxation and Development**

highlighted in three other Commission policy papers:

- *Tackling the Challenges in Raw Materials (Feb/2011)
(revised/ updated Raw Materials Initiative)*
- *The Agenda for change (Oct/2011) , EU's blueprint for
development cooperation in coming years*
- *The Future Approach to Budget Support (Sept/2011) has
strengthened Domestic Resource Mobilization (DRM) in
eligibility conditions*

EU Development Cooperation: Support for Transparency, Anti-corruption and DRM

Have also inspired on-going cooperation initiatives:

- Participation in EITI work
- Financial support to EITI
 - Capacity Building
 - WB EITI Trust Fund
- Tripartite Initiative with WB and OECD on Transfer Pricing

Now: Disclosure requirements

What is CBCR?

- A proposed system that would require MNCs to report payments to governments in each of the countries in which they operate

Objective

- Promote transparency and good governance by providing more information on revenues received from multinationals for exploiting natural resources (oil and gas, minerals and primary forests).

International Transparency Initiatives

EITI (2002)

- Pioneer work. Unique in its tripartite constituency
- Voluntary
- EC participates in its Board meetings and several Working Groups
- EC supports EITI and the WB-run EITI Trust Fund

US Dodd Frank Act (July 2010)

- Great step - Important initiative for listed companies
- Mandatory
- Only Extractive Sector
- SEC Implementing rules adopted (August '12)

EC proposal on disclosure requirements

- In September 2010, the European Commission agreed with the European Parliament to further evaluate the feasibility of mandatory requirements in this area.
- **Process:** The Commission:
 - Conducted a public consultation: Oct.- Jan. 2011
 - Produced an Impact Assessment Report: July 2011
 - Drafted Legislative Proposals: 25 October 2011

EC proposal on disclosure req. (cont)

EC proposal (25/10/2011):

- Mandatory disclosure of payments to gvts. on a country and project basis by **listed and large unlisted companies** in the EU with activities in the oil, gas, mining and logging sectors

Legislative instruments

- Transparency Directive: Article 6 (cross reference to Chapter 9 of AD)
- Accounting Directive: Chapter 9

EC proposal on disclosure req. (cont)

Project definition

- « *equivalent to the specific operational reporting unit at the lowest level within the undertaking at which regular international management reports are prepared to monitor its business* » (art. 36)

Report

- Total amount of payments,
- Total amount per type of payment (*per country, and per project where those payments have been attributed to a specific project*)

EC proposal on disclosure req. (cont)

Types of payments:

- production entitlements
- taxes on profits
- Royalties
- Dividends
- Signature
- discovery and production bonuses
- licence fees
- other direct benefits to the government concerned

EC proposal on disclosure req. (cont)

Exemption

- Companies are exempt from reporting payments in countries where such public disclosure is clearly prohibited **by the criminal legislation of that country**. In such cases the company should identify in the report the government concerned

Publication

- The consolidated report on payments to governments shall be publicly available on an annual basis

EC proposal on disclosure req. (cont)

Review

- The Commission will complete a review at the latest five years after the date of entry into force of this Directive

The Way Ahead: Calendar

Co-Decision: Commission submitted its legislative proposal to the European Parliament and Council:

- **Council General Approach:** 21 June '12
- **EP JURI vote:** 18 September '12

Transposition: Directives have to be transposed into national legislation once adopted

Timeline: enforcement around 18 months after directives are adopted

The Way Ahead: Beyond the EC proposal

Capacity building: to enhance accountability of companies and host governments, NGOs and host parliaments must be capable to use the available information.

Level playing field: encourage the adoption of international standards

Continue supporting EITI: initiatives are complementary

UK Presidency of G8: ambitious transparency plans

Contact

Francisco Bataller/ Inma Montero

 Francisco.Bataller-Martin@ec.europa.eu

 Maria-Inmaculada.Montero-Luque@ec.europa.eu

DG DEVCO - Development and Cooperation

Michelle Kosmidis (32-2) 298 62 45

 michelle.kosmidis@ec.europa.eu

DG Market and Internal Services

Legislative proposal:

http://ec.europa.eu/internal_market/accounting/other_en.htm